

**DOUGLAS COUNTY, WASHINGTON**  
**January 1, 1992 Through December 31, 1992**

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**Schedule Of Findings**

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1. Chelan-Douglas Mental Health Center Should Maintain Adequate Accounting Records

During our examination of the Chelan-Douglas Mental Health Center, we found incomplete and inaccurate accounting records. The following problems were significant:

- a. The Mental Health Center's internal general ledger was not used the last half of 1992. There were no compensating controls in place.
- b. Year-end Mental Health Center journal entries to the Douglas County general ledger were made without necessary supporting documentation.
- c. We were unable to substantiate several of the reported account balances due to lack of, or conflicting, supporting documentation.
- d. There was no evidence that accounting procedures, transactions, and balances were reviewed by management.

RCW 43.09.200 states, in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

The absence of a properly maintained accounting system and reliable underlying accounting records created a material weakness in the Mental Health Center's system of internal accounting controls. Due to incomplete and inaccurate financial records, we were unable to verify the accuracy of certain material accounts reported in the financial statements. Accordingly, we were unable to express an opinion on the financial statements of the Mental Health Center.

These weaknesses resulted from managements failure to provide adequate supervision of accounting personnel.

We recommend that the Mental Health Center maintain an adequate financial accounting system including:

- Maintenance of an effective general ledger including proper use of control accounts.
- The retention of adequate documentation to support all financial transactions and year-end account balances.
- Evidence of review by management.

2. Controls Over Cash Receipts, Billings, And Accounts Receivable Should Be Improved At Chelan-Douglas Mental Health Center

Our review of the Chelan-Douglas Mental Health Center's cash receipt and billing cycles disclosed the following significant internal control weaknesses:

a. Cash Receipts

(1) The Mental Health Center failed to record all cash receipts in the daily cash journal and subsequently deposit them into the transfer account. Some unrecorded receipts were allowed to accumulate in the accountant's office and were transmitted directly to the county treasurer at a later date.

Due to the above described practices, it was not possible to determine the total of each day's cash receipts or to determine that all cash receipts were accounted for. Furthermore, payments posted to client accounts for a given time period could not be reconciled to cash receipts for the corresponding time period.

(2) The Mental Health Center failed to regularly remit cash receipts from its transfer account to the county treasurer. Money was held in the transfer account for extended periods and remitted to the county treasurer only four times during 1992.

b. Billings And Accounts Receivable

(1) There were no controls in the client scheduling system to ensure that a billing document was actually generated for each client visit. The scheduling of appointments and the initiation of client billings was left up to each case worker.

(2) Client billing slips were not remitted to the accounting department in a regular and timely manner. In some instances, the billing department received billing slips from case workers more than two months after the client's visit.

(3) There was no evidence of management review of accounts receivable write-offs.

(4) There was no meaningful control account over accounts receivable.

Lack of proper internal controls increases the risk that errors and omissions could occur and not be detected in a timely manner. Consequently, we consider this condition to be a material weakness.

The weaknesses disclosed above resulted from management's failure to establish and monitor an adequate system of internal controls.

We recommend that the Mental Health Center take measures to ensure that:

- All cash received is recorded in the daily receipt journal.
- Cash receipts and billings are reconciled to the change in the accounts receivable control account.
- Transmittals are made to the county treasurer at least weekly.
- A centralized, or otherwise controlled, client scheduling system is established to

ensure that all client visits are accounted for.

- The accounting department receives and records billing slips daily.
- Billing slips are reconciled to appointment schedules to ensure that all client visits are billed.
- An adequate audit trail exists from the appointment schedule to the actual billing slip to daily posting into the billing system.
- Evidence is maintained to document management review and approval of accounts receivable write-offs.
- The general ledger control account for accounts receivable is properly posted and reconciled to the subsidiary accounts.

3. Chelan-Douglas Mental Health Center Should Discontinue Improper Use of Credit Cards

During 1992 and 1993, Chelan-Douglas Mental Health Center credit cards were routinely used by Mental Health Center officials for the purchase of supplies and equipment, meals at local restaurants, and meals purchased for non-employees. The Mental Health Center incurred credit card interest charges of \$629 in 1992 and \$423 through the first ten months of 1993. These charges resulted from management's failure to submit expense vouchers timely.

RCW 42.24.115 states in part:

(1) Any municipal corporation or political subdivision may provide for the issuance of charge cards to officers and employees for the sole purpose of covering expenses incident to authorized travel. (Emphasis added.)

(2) Upon billing or no later than ten days of the billing date, the officer or employee . . . shall submit a fully itemized travel expense voucher. Any charges against the charge card not properly identified on the travel expense voucher or not allowed following the audit required under RCW 42.24.080 shall be paid by the official or employee . . . .

Regarding the meals provided to non-employees, Article VIII, Section 7, of the Washington State Constitution states in part:

No county . . . shall give any money . . . or credit to any individual . . . .

We recommend that the Mental Health Center restrict the use of its credit cards to authorized travel expenses and discontinue purchasing meals for non-employees. We further recommend the Mental Health Center ensure that all travel claims are settled within the prescribed ten days.